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Photo credit: Ayenew Haileselassie, Abt Associates
A lab technician uses a microscope purchased with retained internal revenue

Update on First-Generation Health Care Financing Reforms

USAID, through its successive activities, has supported the government of Ethiopia to implement HCF reforms since the development and adoption of the 1998 Health Care Financing Strategy. The first set of HCF reform interventions, also known as the 'first-generation' HCF reforms, began in the early to mid-2000s and focus on improving the supply-side of the health service delivery systems.

These supply-side HCF reforms have taken root in all of the major regions and city areas: Amhara, Harari, Oromia, SNNP, and Tigray regions as well as Addis Ababa and Dire Dawa city administrations. For instance, around 96% of health centers and 99% of the hospitals in these locations have gained management autonomy by establishing and functioning under their governing boards. These health centers and hospitals are successfully implementing the revenue retention and use (RRU) reform. The share of RRU in the total non-salary operational expenditures of these health facilities averages between 60-80%, which shows how important this extra-budgetary source of financing has become in running their operations effectively. These additional revenues generated from the user-fees are spent on improving health facilities and services (drugs, medical supplies, repair and equipment procurement).

The above regions and city administrations have also accomplished considerable success in implementing the other first-generation HCF reform interventions.

DESCRIPTIONS OF EACH FIRST-GENERATION HCF REFORM:

Retained revenue and utilization (RRU). Allows public health centers and hospitals to keep and use the revenues they generate from user-fees and other extra-budgetary sources in improving the health services and facilities. Prior to this reform, health facilities were required to return internally generated revenues to the Treasury.

Systematizing fee waivers for the poor. Setting standard practice to identify and certify households that cannot afford to pay the user-fees for health care. Local government authorities (woreda/city administrations) issue fee-waiver certificates to the user-fee waived households and set aside budget to reimburse the public health facilities for the services dispensed to them.

User fees setting and revision. Setting a standard approach for health facilities to regularly review and revise the user-fees - considering the cost of services, and ability and willingness of households to pay for health care.

Establishing and operationalizing private wings at public hospitals. Allows public hospitals in most regions and at the federal level to operate a private wing that charges higher fee rates for patients who can afford alternative health care services. This intervention helps generate additional revenues for the hospitals to augment compensation of staff and doctors, increasing retention.

Outsourcing non-clinical services by public hospitals. Outsourcing services such as security, cleaning, laundry, food to outside contractors helps hospital managers to devote more time and energy to their core business of delivering enhanced clinical services. Additionally, the outsourcing arrangement contributes to efficiency gains and contributes to the growth of local small businesses.

Establishing and operationalizing health facility governance boards. Guaranteeing community participation in governance boards and management committees at public health facilities to ensure better accountability and transparency of their operations, including revenue management and resource use. This management reform offers public hospitals and health centers the autonomy to make effective and efficient organizational, operational and financial decisions.

Standardizing the package of exempted services. The exempted services package comprises priority public health interventions to be offered free of cost by government facilities to all citizens regardless of their income or socio-economic status. Prior to this reform, the mandate to finance this package was unclear, and the integral interventions varied across regions and cities. Regional states and city administrations standardized the exempted package with the following priority public health services: immunization of mothers and children under 5, tuberculosis treatment and follow-up, family planning and reproductive health services, and HIV/AIDS prevention, diagnosis, and treatment.

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